

Message Text

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ACTION ARA-14

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TAGS: EFIN PE

SUBJ: PERU: FINANCING STILL AVAILABLE FROM EXPORT CREDIT

INSTITUTIONS OF OTHER GOVERNMENTS

1. SUMMARY: SPOT CHECK WITH OTHER EMBASSIES HERE REVEALS THAT THEIR RESPECTIVE GOVERNMENT EXPORT CREDIT INSTITUTIONS ARE WITH ONE EXCEPTION CONTINUING TO FINANCE AND GUARANTEE EXPORTS TO PERU DESPITE THEIR CONCERN OVER PERU'S SERIOUS ECONOMIC SITUATION. END SUMMARY.

2. UK'S EXPORT CREDIT GUARANTEE DEPARTMENT (ECGD) IS STILL INSURING SALES OF UK CAPITAL GOODS TO PERUVIAN FIRMS. IN SEPTEMBER 1977 MEDIUM-TERM COVERAGE WAS RESTRICTED TO 5 MILLION POUNDS, AND RECENTLY THIS LIMIT WAS FURTHER REDUCED TO 250,000 POUNDS. HOWEVER, SHORT-TERM COVERAGE HAS NOT BEEN AFFECTED. UK HAS GRANTED 3-MILLION-DOLLAR CREDIT LINE TO PERUVIAN BANKS. BRITISH EXPORTS TO PERU TOTALLED SOME 35 MILLION POUNDS IN 1977 OF WHICH MORE THAN TWO-THIRDS WERE COVERED BY ECGD.

3. WEST GERMANY REMAINS ACTIVE IN FINANCING EXPORTS AND GUARANTEEING EXPORT CREDITS HERE THROUGH FRG'S

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HERMES, KREDITANSTALT FUER WIEDERAUFBAU, AND CONSORTIUM OF GERMAN COMMERCIAL BANKS AUSFUHR KREDIT GMBH (AKA).

THERE IS A CEILING OF 2.5 MILLION MARKS FOR ANY SINGLE REGULAR TRANSACTION, BUT EXCEPTIONS CAN BE MADE IF CREDIT IS FOR SPECIAL DEVELOPMENT PROJECT OR IF IT WILL HELP A DEPRESSED INDUSTRY IN GERMANY SUCH AS SHIPBUILDING. PERU IS IN HIGH-PREMIUM CATEGORY BASED ON RISK FACTOR.

TOTAL HERMES EXPOSURE IS ABOUT 60 MILLION MARKS, ACCORDING TO WEST GERMAN EMBOFF HERE.

4. EXPORT-IMPORT BANK OF JAPAN IS MOST ACTIVE IN TRADE DEALS WHEREBY JAPAN PROVIDES CAPITAL GOODS IN EXCHANGE FOR RAW MATERIALS OR INTERMEDIATE GOODS, E.G. ILO COPPER SMELTER. JAPANESE EMBOFF SAYS THESE CREDITS VERY EASY TO OBTAIN, BUT THAT PERU IS "HIGH RISK" COUNTRY AND CREDIT TERMS LIMITED TO 7 YEARS. IN MOST CASES EXPORT GUARANTEES ARE PROVIDED NOT BY GOJ BUT BY JAPANESE COMMERCIAL BANKS. DUE TO PERUVIAN ECONOMIC CONDITIONS, INTEREST IN PERU AS AN EXPORT MARKET ON THE PART OF JAPANESE BUSINESSMEN HAS DECLINED, E.G. TRADE MISSIONS AND PRIVATE BUSINESS VISITS WERE DOWN BY 80 0/0 IN 1977 AS COMPARED WITH 1976.

5. FRENCH EMBOFF REPORTS THAT COFACE CONTINUES TO GUARANTEE ALL EXPORT SALES TO PERU. EACH REQUEST IS CONSIDERED ON ITS OWN MERIT BUT APPROVAL IS BECOMING PROGRESSIVELY MORE DIFFICULT. AT PRESENT COFACE IS REQUIRING GOP OR PERUVIAN COMMERCIAL BANK GUARANTEE ON ALL TRANSACTIONS. COFACE CEILING FOR PERU HAS BEEN LOWERED BUT WE HAVE NOT BEEN ABLE TO OBTAIN EXACT FIGURE.

6. CANADA'S EXPORT DEVELOPMENT CORPORATION (EDC) IS STILL ACTIVE IF NOT AS AGGRESIVE AS IN PAST. FINANCING ALMOST AUTOMATIC, HOWEVER, FOR CASES SUCH AS REFURBISHING LIMITED OFFICIAL USE

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STOL AIRCRAFT ORIGINALLY OBTAINED IN CANADA. MINING IS ANOTHER AREA WHERE CREDIT TO CANADIAN EXPORTERS IS ALMOST AUTOMATIC. CREDITS AND GUARANTEES TO LOWER-PRIORITY SECTORS ARE RELATIVELY DIFFICULT TO OBTAIN, CANADIAN EMBOFF REPORTED.

7. THE EXPORT CREDIT GUARANTEE BOARD (EKN) OF SWEDEN IS STILL INSURING SALES TO PERU, THOUGH PREMIUM RATES HAVE BEEN INCREASED AND REQUESTS ARE GRANTED ON CASE-BY-CASE BASIS AFTER CAREFUL STUDY.

8. SWITZERLAND'S EXPORT RISK GUARANTEE COMMITTEE (ERG) HOLDS VIEWS ALMOST IDENTICAL TO SWEDEN'S. ERG IS CHARGING HIGHER PREMIUMS AND IS BEING CAUTIOUS. MAIN INTEREST OF ERG IN PERU CONTINUES TO BE FINANCING ACTIVITIES OF SWISS CONSULTING/MANAGEMENT FIRMS IN GOP PROJECTS RATHER THAN GUARANTEEING SALES OF CAPITAL GOODS.

9. AUSTRALIA'S EXPORT FINANCE INSURANCE CORPORATION (EFIC) IS NEWLY-ARRIVED IN PERU, AND SIGNED ITS FIRST CREDIT FOR CAPITAL GOODS TO PERU IN NOVEMBER 1977.

EFIC ALSO PROVIDES \$3 MILLION LINE TO COFIDE AND
COMMERCIAL BANKS. EFIC WILL MONITOR USE OF FIRST
CREDIT LINES CAREFULLY BEFORE DECIDING WHETHER TO
EXPAND ACTIVITIES HERE.

10. OF COUNTRIES APPROACHED THUS FAR ONLY SOUTH AFRICA'S
INDUSTRIAL CREDIT CORPORATION AND CREDIT GUARANTEE
INSURANCE CORPORATION (CGIC) HAS HALTED NEW CREDITS
AND GUARANTEES FOR PERU. SOUTH AFRICAN FIRMS ARE
INTERESTED IN BIDDING ON NEW IRRIGATION PROJECTS
SCHEDULED FOR 1980S AND TO SUPPLY EQUIPMENT FOR
RAILWAYS HERE, BUT WERE TOLD TO RESUBMIT REQUESTS AT
UNSPECIFIED FUTURE DATE. SOUTH AFRICAN EMBOFF
INDICATED IT LIKELY CGIC WOULD BE APPROVING SOME
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REQUESTS LATER IN 1978 BUT TERMS WOULD BE STIFFER
THAN IN THE PAST.

11. EMBOFFS FROM ALL COUNTRIES POLLED EXPRESSED
CONCERN ABOUT PERU'S SERIOUS ECONOMIC SITUATION. THIS
CONCERN REFLECTED IN INCREASED PREMIUM RATES AND MORE
CAREFUL STUDY OF APPLICATIONS, BUT, EXCEPT IN THE
CASE OF SOUTH AFRICA, GOVERNMENTS' EXPORT CREDIT
INSTITUTIONS ARE STILL OFFERING FINANCING TO PERU.

DECON 3-7-79. SHLAUDEMAM

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